

Appendix C

Federal Regulations and Requirements

Recent Changes in Federal Support for Child Care Subsidies

The State of Washington's child care subsidy programs underwent a major change with the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). (Pub. L. 104-193). This Act, and its technical corrections included in the Balanced Budget Act of 1997 (Pub.L.105-33), created the program called Temporary Assistance for Needy Families (TANF). It repealed most of the familiar federal welfare programs such as Aid to Families with Dependent Children, Jobs Opportunities and Basic Skills, and Emergency Assistance. It also repealed the child care programs authorized under Title IV-A of the Social Security Act. Aid to Families with Dependent Children (AFDC) Child Care, Transitional Child Care, and At Risk Child Care were replaced by amending section 418 of the Social Security Act to create a new federal child care entitlement and transferring the funds to the Child Care and Development Block Grant (CCDBG). PRWORA also amended the CCDBG with the goal of unifying a "fragmented child care subsidy system". It integrated the entitlement and discretionary childcare funding in an attempt to create a streamlined system for funding childcare under the direction of the Department of Health and Human Services. The Department of Health and Human Services named the combined funds the Child Care and Development Fund (CCDF).

Three funding streams comprise the CCDF:¹

- **Mandatory funds:** This amount is based on the total amount each state received for AFDC childcare, transitional child care, and at-risk programs prior to consolidation into the CCDBG.
- **Matching funds:** This amount is based on the number of children under age 13 in each state. States have access to the federal matching funds only if they continue to spend the amount they spent on child care in FY 1994 or FY 1995, whichever is greater, and if they contribute the necessary state funds.
- **Discretionary funds:** This is appropriated annually by Congress; \$1.182 billion in FY 2000 by Congress with no requirement for state matching funds. In FY 2000, Congress earmarked \$222 million for child care quality improvements above the required minimum 4 percent under the CCDBG. This additional quality set-aside includes \$50 million for infant and toddler child care improvements. An additional \$19 million was earmarked for child care resource and referral services and for care of school age children.

Current Requirements

The regulations governing the states access to these federal funds are found in the Code of Federal Regulations (CFR). A biennial Market Rate Study is currently required by 45CFR98.43 and 45CFR98.43, as revised October 1999, which states:

¹ "Financing Child Care"; National Conference of State Legislatures, Scott Groinsky, Julie Poppe, Jenna Davis; June 2000.

(b) The Lead Agency shall provide a summary of the facts relied on to determine that its payment rates ensure equal access. At a minimum, the summary shall include facts showing: (1) How a choice of the full range of providers, e.g., center, group, family, and in-home care, is made available; (2) How payment rates are adequate based on a local market rate survey conducted no earlier than two years prior to the effective date of the currently approved Plan.

Potential penalties are outlined in 45CFR98.92. All states are now in compliance with these requirements, though some came close to sanction before implementing corrective action plans.